

Message Text

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TAGS:

SUBJECT: JAPANESE GUIDELINES FOR UNTYING

"FOLLOWING IS A REPEAT
QUOTE

R 262148Z APR 78
FM SECSTATE WASHDC 106845

1. AID/W HAS RECEIVED COPY OF GUIDELINES FROM GOJ EMBASSY
WHICH PROVIDES EXPLANATION OF THE STEPS THE GOJ IS TAKING
WITH REGARD TO THE UNTYING OF JAPANESE FINANCIAL ASSISTANCE
TO LDC'S. GUIDELINE TEXT WHICH FOLLOWS IS PROVIDED FOR
YOUR INFORMATION.

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2. QUOTE AS ONE OF THE SERIES OF IMPORTANT STEPS BEING
TAKEN TO EFFECT THE US-JAPAN JOINT ECONOMIC STATEMENT,
AGREED BETWEEN THE TWO GOVERNMENTS ON JANUARY 13, 1978,
THE GOVERNMENT JAPAN HAS RECENTLY FINALIZED A SET OF GUIDE-
LINES FOR INTRODUCING THE 'GENERAL UNTYING' OF ITS FINANCIAL
ASSISTANCE TO DEVELOPING COUNTRIES. THIS GENERAL UNTYING
ALLOWS BORROWERS (LDC'S) OF JAPANESE CONCESSIONAL LOANS TO

PROCURE GOODS AND SERVICES FROM A THIRD COUNTRY, SUCH AS THE U.S., IF THE PROCUREMENT COULD BE MADE ON BETTER TERMS THAN AVAILABLE FROM THE LENDING COUNTRY (JAPAN). THIS WILL ALLOW THE POSSIBILITY OF INCREASED EXPORTS FROM OTHER COUNTRIES, INCLUDING THE U.S. UNTIL NOW, JAPAN HAS BEEN EXERCISING THE SO-CALLED 'LDC UNTYING.' THE ADOPTION OF THE GENERAL UNTYING PRINCIPLE INCLUDES LDC UNTYING AND GENERALLY LIBERALIZES THE SOURCE OF PROCUREMENT. (NOTE: 'LDC UNTIED' IS A PARTIAL UNTYING METHOD WHERE PROCUREMENT CAN BE MADE FROM DEVELOPING COUNTRIES IN ADDITION TO PROCUREMENT FROM THE LENDING COUNTRY.)

3. THE IDEA OF GENERAL UNTYING HAS BEEN EXAMINED INTENSIVELY IN THE OECD, BUT NO CONSENSUS HAS BEEN ACHIEVED YET. THE DECISION TO INTRODUCE GENERAL UNTYING WAS MADE UNILATERALLY BY THE GOVERNMENT OF JAPAN. NO OTHER MAJOR DONOR COUNTRY HAS THUS FAR ACCEPTED THE PRINCIPLE OF GENERAL UNTYING.

4. DETAILS OF THE GUIDELINES ARE AS FOLLOWS:

A. BASIC PRINCIPLES: THE GOVERNMENT OF JAPAN WILL PURSUE THE BASIC POLICY OF GENERAL UNTYING OF THE FINANCIAL ASSISTANCE TO BE PLEDGE HENCEFORTH. THIS PRINCIPLE DOES NOT APPLY TO THE PROCUREMENT OF CONSULTANTS.

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IN PARTICULAR, THE FOLLOWING FOUR TYPES OF CONCESSIONAL LOANS WILL BE EXTENDED TO LDC'S ON THE GENERAL UNTYING BASIS.

(1) CONCESSIONAL COMMODITY LOANS: (IN VIEW OF THE SERIOUS STRUCTURAL ECONOMIC STAGNATION PREVAILING IN JAPAN, THE GOVERNMENT MAY EXEMPT CERTAIN COMMODITIES FROM THE GENERAL UNTYING PRINCIPLE IF IT DEEMS IT NECESSARY THAT ANY INDUSTRIAL SECTORS PRODUCING SUCH COMMODITIES, IN ACCORDANCE WITH ITS INDUSTRIAL POLICY, SHOULD RECEIVE THE INCENTIVES OF THE PROCUREMENT OF THE COMMODITY LOANS.)

(2) CO-FINANCING OF LOANS WITH INTERNATIONAL FINANCIAL INSTITUTIONS.

(3) TWO-STEP LOANS.

(4) OTHER LOANS: PROVIDED THAT THE BORROWER EXPRESSES A STRONG DESIRE TO RECEIVE THE LOAN ON A GENERAL UNTYING BASIS AND THAT THE LOAN MERITS GENERAL UNTYING, BOTH FROM THE DIPLOMATIC CONSIDERATION AND FROM THE CONSIDERATION OF IMPROVING THE EFFECTIVENESS OF THE LOAN.

IF THE RECIPIENT GOVERNMENTS PREFER TO RECEIVE JAPANESE
LOANS ON A TIED OR LDC UNTIED BASIS, THE GOVERNMENT OF
JAPAN WILL ACCOMMODATE THEIR PREFERENCES.

B. THE APPLICATION OF THE GENERAL UNTYING PRINCIPLE TO
THE FOUR TYPES OF LOANS SPECIFIED ABOVE WILL BE PERIODI-
CALLY REVIEWED WITH THE VIEW TOWARD EXPANDING THE SCOPE OF
ITS APPLICATION AT THE EARLIEST POSSIBLE OPPORTUNITY.
UNQUOTE.

5. DECONTROL AS OF OCTOBER 25, 1978. VANCE UNQUOTE CHRISTOPHER

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